

Budget 2026/27 and Indicative Financial Plan 2027/28 to 2028/29

1. INTRODUCTION

- 1.1 This report presents an update on the development of a Partnership budget for 2026/27 and an indicative financial plan for 2027/28 to 2028/29.
- 1.2 The proposed revenue budget for 2026/27 will be presented to the Partnership Board for approval at its meeting on 13th March 2026.

2. MAIN REPORT

Scottish Government Budget 2026-27

- 2.1 The Scottish Government Draft Budget was presented to Parliament on 13th January 2026. A budget agreement has now been secured.
- 2.2 It is anticipated that Scottish Government funding to Regional Transport Partnerships (RTPs) for 2026/27 will be unchanged from 2025/26. If available, confirmation of 2026/27 funding will be advised to the Partnership Board on 13th March.

Financial Planning 2026/27 to 2028/29

Core Budget - Transport Scotland Revenue Grant and Council Requisitions

- 2.3 Section 3 of the Transport (Scotland) Act 2005, as amended by the Section 122 of the Transport (Scotland) Act 2019, requires the constituent councils of a Regional Transport Partnership to meet the estimated net expenses of the Partnership.
- 2.4 A financial planning report was considered by the Partnership on 5th December 2025. The Partnership noted the financial planning assumptions being progressed for 2026/27 to 2028/29. The proposed budget for 2026/27 continues to assume standstill council requisitions totalling £190,000.
- 2.5 Financial planning is based on no change in the Transport Scotland revenue grant for 2026/27, with a grant of £743,000 assumed in the financial plan.
- 2.6 The financial plan makes provision for a pay award of 3.5% to reflect the second year of the agreed pay award for 2025/26 and 2026/27. A 3% pay award is assumed for each of 2027/28 and 2028/29. Proposed employee budgets reflect estimated salary increments and include provision for the additional employee resource which is rechargeable to the People and Place programme.

- 2.7 The level of employee costs rechargeable to the People and Place programme has been assessed at £255,000 for 2026/27. Inflationary uplifts have been assumed for 2027/28 to 2028/29. This will be subject to ongoing review.
- 2.8 A contingency provision has been introduced to make a general budgetary allowance for inflationary pressures on non-staff budgets and to provide some flexibility for consideration of HR, learning and development and financial administration system improvements which are under consideration. Updates on the use of this contingency allocation will be reported to the Partnership.
- 2.9 The Partnership receives interest on cash balances held and an estimate of £25,000 per annum is included in the proposed and indicative budgets.
- 2.10 It is proposed that project expenditure totalling £165,000 is funded within the Core SEStran budget. This proposed expenditure covers: Regional Bus Action Plan Delivery (£100,000); Sustainable Travel (£10,000); Projects Consultancy (£30,000); and Communications and Marketing (£25,000). Funding in 2026/27 assumes a carry forward of £50,000 from the 2025/26 project budget underspend.
- 2.11 As reported in the recently approved Financial Planning Procedure, efficiency savings will be identified through the budgeting process. The SEStran management team will review each line of the budget and an efficiency savings target totalling £45,000 has been assumed across the indicative budgets for 2027/28 and 2028/29.
- 2.12 An analysis of the proposed Core budget for 2026/27 and indicative budgets for 2027/28 to 2028/29 is shown in Appendix 1.
- 2.13 The 2026/27 Council requisitions, based on the proposed budget, are as follows:

Council	Requisition
Clackmannanshire	£6,052
East Lothian	£13,376
Edinburgh	£61,630
Falkirk	£18,584
Fife	£43,522
Midlothian	£11,599
Scottish Borders	£13,585
West Lothian	£21,652
Total	£190,000

- 2.14 Council requisitions reduced by 5% in 2017/18 from £200,000 to £190,000 and have been unchanged for ten years. Indicative financial planning for 2027/28 and 2028/29 indicates that annual increases in requisition of £10,000 may be required to achieve balanced budgets in 2027/28 and 2028/29. The medium-term financial plan will be subject to ongoing review and development.

People and Place Programme

- 2.15 In 2025/26, the Partnership was awarded additional funding of £6.356m from Transport Scotland to progress the People and Place Programme (PPP). Final confirmation has yet to be received of Programme funding for 2026/27 and beyond.

Transport Scotland has advised to plan for 2026/27 based on funding being at the same level as 2025/26.

- 2.16 An update on the People and Place Programme was reported to the last meeting of the Partnership Board on 5th December. The strategy for 2026/27 is one of stability after several years of significant change in this area, allowing projects to bed in and deliver on agreed outcomes.
- 2.17 The proposed programme allocations for 2026/27 are shown in Appendix 2. Programme Delivery Plan updates will be reported to the Board by the Partnership Programme Manager.

SEStran Budget 2019/20 to 2026/27

- 2.18 Appendix 3 summarises budgeted expenditure and income since 2019/20.

Risks and Reserves

- 2.19 In accordance with the provisions of the Transport Scotland (2019) Act, the Partnership has agreed a Reserves Policy and established an unallocated General Fund reserve. Based on 5% of the proposed core budget for 2026/27, an unallocated reserve of £49,000 will be required.
- 2.20 At 1st April 2025, the Partnership had an unallocated General Fund Reserve of £221,000. Based on the forecast requirement for drawdown of £38,000 during 2025/26, the Partnership's unallocated General Fund Reserve is forecast to be £183,000 at 1st April 2026.
- 2.21 A risk assessment for 2026/27 is included at Appendix 4. Financial scenario planning is included at Appendix 5.

3 NEXT STEPS

- 3.1 Following review by the Performance and Audit Committee, the proposed budget for 2026/27 will be presented to the next Partnership Board meeting on 13th March, for approval.
- 3.2 Development of the proposed revenue budget for 2026/27 will continue to be considered until the meeting of the Partnership Board on 13th March. Any further updates will be reflected in the final report to be presented to the Board.

4 RECOMMENDATIONS

- 4.1 It is recommended that the Performance and Audit Committee:
 - 4.1.1 note the financial planning assumptions for the Partnership's proposed budget for 2026/27;
 - 4.1.2 note that financial planning for 2026/27 to 2028/29 will continue to be developed for approval of a budget by the Partnership at its meeting on 13th March;

4.1.3 note that the proposed budget is subject to a number of risks. All income and expenditure of the Partnership will continue to be monitored closely with updates reported to each Partnership meeting.

5 BACKGROUND READING/EXTERNAL REFERENCES

5.1 [Indicative Financial Plan 2026/27 to 2028/29](#) – report to the South East of Scotland Transport Partnership 5th December 2025

Richard Lloyd-Bithell

Treasurer

20th February 2026

Appendices

Appendix 1 – Proposed Core Budget 2026/27 and Indicative Budgets 2027/28 to 2028/29

Appendix 2 – People and Place Programme – Proposed Budget 2026/27

Appendix 3 – Summary of Revenue Budget 2019/20 – 2026/27

Appendix 4 - Risk Assessment 2026/27

Appendix 5 – Scenario Planning 2026/27

Contact

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Policy Implications	There are no policy implications arising as a result of this report.
Financial Implications	There are no financial implications arising.
Equalities Implications	There are no equality implications arising as a result of this report.
Climate Change Implications	There are no climate change implications arising as a result of this report.

Proposed Core Budget 2026/27 and Indicative Financial Plan 2027/28 and 2028/29

	Approved Budget 2025/26	Proposed Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29
	£0	£0	£0	£0
Employee Costs				
Salaries	564	640	668	691
National Insurance	76	86	91	94
Pension Fund	151	171	178	184
Recharges	(104)	(255)	(270)	(282)
Training, Conferences & Recruitment	10	10	10	10
	697	652	677	697
Premises Costs	21	25	25	25
Transport	5	5	5	5
Supplies and Services				
Communications & Computing	48	48	48	48
Printing & Office Supplies	7	7	7	7
Insurance	7	9	9	9
Equipment, Materials & Miscellaneous	4	4	4	4
	66	68	68	68
Governance & Support Services				
Finance, Legal Services & HR	38	38	38	38
Clerks Fees	12	12	12	12
External Audit Fees	12	12	12	12
Members Allowances and Expenses	1	1	1	1
Contingency Provision		30	40	50
	63	93	103	113
Interest	0	(25)	(25)	(25)
Core Projects				
Regional Bus Action Plan Delivery		100	75	75
Sustainable Travel		10	10	10
Projects Consultancy		30	20	20
Communications and Marketing		25	10	10
2025/26 Projects	81			
	81	165	115	115
Total Gross Expenditure	933	983	968	998
Funding				
Scottish Government Grant	(743)	(743)	(743)	(743)
Council Requisitions	(190)	(190)	(200)	(210)
Efficiency Programme			(25)	(45)
Project Budget Underspend 25/26		(50)		
Total Funding	(933)	(983)	(968)	(998)

People and Place Programme - Proposed Budget 2026/27 and Indicative Budgets 2027/28 and 2028/29

	Proposed Budget 2026/27	Indicative Budget 2027/28	Indicative Budget 2028/29
Core staff recharge	£255,000	£270,000	£282,000
Project Support Officer	£24,682	£26,163	£27,733
Project Officer	£48,332	£51,232	£54,306
RTPI – System Maintenance	£52,500	£52,500	£52,500
Thistle Assistance	£40,000	£40,000	£40,000
Regional Project Delivery	£142,325	£137,480	£133,319
Local Authority Delivery Support	£745,385	£745,385	£745,385
Regional Priority Investment Fund	£3,018,047	£3,013,201	£3,009,040
Access to Cycles and Cycle Storage	£1,521,967	£1,517,121	£1,512,960
Community Grant Fund	£547,060	£542,215	£538,054
RTPI - System Maintenance contributions	(£12,000)	(£12,000)	(£12,000)
Thistle Assistance - RTP contributions	(£27,500)	(£27,500)	(£27,500)
Scottish Government grant	(£6,355,797)	(£6,355,797)	(£6,355,797)
	£0	£0	£0

Summary of Revenue Budget 2019/20 – 2026/27

	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core	584	581	663	619	774	901	852	843
Projects	690	1,080	809	907	713	275	205	165
People and Place						5,326	6,369	6,356
Total Expenditure	1,274	1,661	1,472	1,526	1,487	6,502	7,426	7,364
EU Grants	(82)	(142)	(106)	(210)	(26)	(100)	0	
Other income	(220)	(547)	(394)	(344)	(489)	(143)	(124)	(75)
People and Place						(5,326)	(6,369)	(6,356)
Scottish Government	(782)	(782)	(782)	(782)	(782)	(743)	(743)	(743)
Council Requisition	(190)	(190)	(190)	(190)	(190)	(190)	(190)	(190)
Total Funding	(1,274)	(1,661)	(1,472)	(1,526)	(1,487)	(6,502)	(7,426)	(7,364)

Risk Description	Existing Controls
<p>Pay awards The indicative budget makes provision for a pay award of 3.5% in 2026/27 to reflect the agreed award.</p>	<p>Alignment with Local Government Pay Policy.</p>
<p>Staff recharges to Projects and People and Place Programme The proposed budget assumes that a level of staff time can be recharged to the People and Place Programme. The budget assumption has been discussed and agreed with the Partnership Director and Programme Manager There is a risk this may not be achievable.</p>	<p>The forecast of employee recharges will be reviewed as part of the ongoing budget development. Expenditure commitments will be reviewed in the event of any forecast shortfall in employee recharges.</p>
<p>Inflation There is a risk that the indicative budget does not adequately cover price inflation and increasing demand for services.</p>	<p>Allowance made for specific known price inflation. Budgets adjusted in line with current cost forecasts. A contingency budget allocation has been introduced to make some provision for price inflation, increasing demand and service developments.</p>
<p>Pension Fund Contributions The value of the Partnership’s pension fund was restricted to ‘Nil’ at 31 March 2025, following proper accounting practice. The actual surplus may lead to a decrease in future employer’s pension fund contributions.</p>	<p>Following Lothian Pension Fund’s Triennial Actuarial Review in 2023, Partnership employer pension fund contribution rates are now confirmed at 26.8% until 31 March 2027. Projections will be kept under regular review.</p>
<p>Funding Reductions Reduction in funding from Scottish Government and/or council requisitions. There is a risk that current levels of activity / staffing cannot be maintained due to funding constraints and that the Partnership will incur staff release costs.</p>	<p>Ongoing engagement with Transport Scotland and constituent councils. Continue to explore external funding opportunities.</p>

Scenario planning

The principal assumptions underpinning the proposed budget are noted in the table below.

	2026/27	2027/28
Staff pay award (all staff; average provision)	3.5%	3%
Employee Recharges to the People and Place Programme	Employee costs can be recharged to the People and Place Programme in 2026/27.	
Office Rental	Per Scottish Government Memorandum of Terms of Occupation Agreement.	
Other contractual commitments	Budget estimates updated when cost commitments are known.	
Transport Scotland core grant funding	Budget estimate updated when funding advised by Transport Scotland.	
People and Place grant funding	Budget estimate updated when funding advised by Scottish Government.	

The factors with the largest impact on the Partnership's income and expenditure at 2026/27 estimated values are noted in the table below.

	At 2026/27 levels, every 1% change would result in following change from core assumptions
People and Place Programme Grant	£63,558
Transport Scotland Core Grant	£7,430
Staff pay award (all staff; average provision)	£8,970
Employee Recharges to People & Place	£2,550
Council Requisitions	£1,900

In seeking to manage changes from core assumptions, the Partnership would:

- In the first instance, seek to identify additional project funding opportunities. The Partnership has a consistent track record of leveraging external funding.
- Review the partnership's costs, with the intention of reducing costs to achieve expenditure within the available funding.
- Where appropriate, discuss funding with Transport Scotland, using the Regional Transport Partnerships Chairs Forum, as required.
- Where appropriate, discuss funding with constituent councils.